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TAGS: [ECON](#) [ETRD](#)
SUBJECT: NATIONAL DEVELOPMENT PLAN: REALITY OR GIMMICK?
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REF: PANAMA 1782

¶1. (U) SUMMARY. Hoping to boost the odds of a favorable outcome on the October 22 Panama Canal (Canal) expansion referendum, President Torrijos on August 16 announced plans to hold a national dialogue for establishing a national development plan (NDP). Support for an NDP enjoys broad support across Panama's political spectrum and numerous political, business, labor and civic groups have made an NDP one of their key demands. Although business and political parties have responded cautiously to the announcement, calling it overdue and necessary, Torrijos' announcement is nonetheless viewed widely as simply an attempt to garner support for the Canal expansion. Almost no one expects a meaningful NDP to be completed within the next two months.
End Summary.

GOP Links Referendum to a National Development Plan

¶2. (SBU) In a hastily organized August 16 event, Torrijos announced the start of a national dialogue on an NDP. No details or outline of such plan were discussed. Torrijos' first mention of an NDP was made on August 12 when he said he would hold a meeting to establish the framework for a Pact of National Coordination on Development. Prior to August 12, Torrijos resisted efforts to engage in any NDP dialogue until after the October 22 referendum. Torrijos acknowledged he was responding to political, business and labor leaders' call for an NDP in connection with any Canal expansion. Torrijos asked the United Nations' Development Programme (UNDP) to organize the national dialogue, something he now referred to as a matter of state. UNDP representative Jose Eguren said on August 21 that he would begin consulting with various civic leaders to begin formulating the process for the national dialogue. On August 31, Eguren told Emboffs that he believes Torrijos genuinely wants to pursue the NDP. Eguren did not believe the GoP would risk harming its relationship with the UN by enlisting UNDP's participation in a token process aimed solely at achieving a political win. Torrijos also named Enrique Iglesias, former Inter-American Development Bank President, to supervise the national dialogue.

Mixed Reaction to NDP Announcement

¶3. (U) An NDP has been a central demand of certain political parties and business groups. Juan Carlos Varela, President of Partido Panamenista, the country's second largest political party, told Ambassador on August 29 that voter approval of the expansion would be difficult without the GoP

concurrently outlining an NDP, that it would be impossible to conclude such a plan by October 22, and that therefore it would be best to postpone the referendum for two to four months. Varela said people in the interior are inclined to vote "no" because they were concerned with decentralization, security, education and inflation. Varela told Ambassador that Torrijos could demonstrate that he was a "statesman" and lift the canal debate above political partisanship if he advanced a serious NDP and postponed the referendum to allow for a full discussion of an NDP.

¶4. (U) Members of the Panamanian Business Executives Association (APEDE) told EconOff that they regret having given their unconditional support to the expansion. They asserted that they had not received anything in return. Members told EconOff that they should have withheld their support in exchange for a GoP commitment to develop an NDP. APEDE was one of the early supporters of the expansion, hosting a nationally televised town hall meeting featuring the Panama Canal Authority's (ACP) Administrator and various members of its senior management. After the Torrijos announcement, APEDE's ex-President Enrique de Obarrio said that the important thing was to have a thorough debate on development and ensure mechanisms were in place to monitor the expansion project.

¶5. (U) The Colon Free Zone Users' Association, while an expansion supporter, also sought an NDP. At an August 8 event in Colon attended by Torrijos, Users' Association President Severo Souza said the association supported the expansion not because it was needed, but because it would increase economic activity and the increased revenues received by the GoP could go towards social and economic development plans.

¶6. (U) Although National Liberal Republican Movement (MOLIRENA) President Gisela Chung said the national dialogue was long overdue, her party nonetheless announced its opposition to the expansion on August 27. Neftali Jaen, representative of the expansion opposition group Grupo Independiente por el No, said the group was open to supporting the expansion after Torrijos' announcement but cautioned that the ideal would be to delay the referendum until the NDP national dialogue was concluded. Ricardo Martinelli, Partido Cambio Democractico's President, said the NDP should be included in the constitution. Radical political movement, the National Front for the Defense of Economic and Social Rights (FRENADES), claimed the Torrijos announcement was politically motivated and refused to participate in any NDP discussions.

Canal Expansion Advocates Fail to Connect on Social Issues

¶7. (U) Illustrative of the linkage between the expansion and the concern over the state of the country's infrastructure was a forum held by the Smithsonian Tropical Research Institute (STRI) discussing the environmental impact of the expansion. STRI scientist Stanley Heckadon acknowledged the expansion would have some minimal environmental impact, but maintained that it was environmentally viable. However, during the question and answer session, almost every question focused on problems with Panama's water and sewage system. Many questioned why so many areas have no potable water or adequate sewage systems. At the end of the event, two individuals who claimed to have been undecided said they were now against the expansion because the country needs first to address the issues of water management and urbanization. This scene has been repeated in numerous events attended by EconOff in recent weeks. ACP officials have been bombarded with questions regarding social spending, education, unemployment and poverty. ACP members usually attend these events without officials from other GoP ministries and are left to respond to many questions that are outside the ACP's competence.

Comment: NDP Efforts Unlikely to Win Over Skeptics

18. (SBU) Torrijos announced the NDP effort when the GoP was especially nervous about the referendum. The GoP appears to be seeking support in any way possible. The public's desire for an NDP is founded both on the lack of faith in the GoP to use Canal revenue's for the general good and a fear the GoP will use Canal revenues to bolster the ruling Democratic Revolutionary Party's dominance. Both supporters and opponents of the expansion want the NDP to specifically designate to which programs Canal revenues will be allocated in order to mitigate the GoP's ability to misappropriate funds. With only about a month before the referendum, a meaningful NDP cannot be completed in time. To date, there has not even been an agreement as to a timetable or outline for the NDP national dialogue. Even Torrijos has acknowledged that an NDP cannot be finalized before the October 22 referendum. At best, we may see some agreement on the allocations of Canal revenues to certain social and/or infrastructure programs. While Torrijos himself remains popular and the most recent poll suggests the "yes" vote has gained momentum (REFTEL), the principal objections to the expansion revolve around lack of faith in the GoP, the inability of the GoP to use Canal revenues to improve infrastructure and address social ills, and a deeply-rooted mistrust of the government.

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